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COUNTY OF LOS ANGELES  
DEPARTMENT OF HEALTH SERVICES  
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**BOARD OF SUPERVISORS**

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July 29, 2004

The Honorable Board of Supervisors  
County of Los Angeles  
383 Kenneth Hahn Hall of Administration  
500 West Temple Street  
Los Angeles, CA 90012

Dear Supervisors:

**MEDICAL SCHOOL OPERATING AGREEMENT BETWEEN  
THE COUNTY OF LOS ANGELES AND THE CHARLES R. DREW UNIVERSITY  
OF MEDICINE AND SCIENCE TO PROVIDE CLINICAL  
AND ACADEMIC SERVICES AT COUNTY FACILITIES  
(Second District) (3 votes)**

**IT IS RECOMMENDED THAT YOUR BOARD:**

- Approve and instruct the Chairman of the Board of Supervisors, or his designee, to sign an Agreement with the Charles R. Drew University of Medicine and Science for the provision of clinical and academic services at Martin Luther King, Jr./Charles R. Drew Medical Center, Hubert H. Humphrey Comprehensive Health Center, and other designated Southwest Cluster facilities for the period September 1, 2004 through June 30, 2006. The maximum County obligation under this Agreement is \$12,767,955 for the contract period of September 1, 2004 through June 30, 2005 and \$15,409,672 for the contract period of July 1, 2005 through June 30, 2006, 100% net County cost.
- Make a finding that the patient care services, as described herein, can be performed more economically by contracting with the private sector.

**PURPOSE/JUSTIFICATION OF THE RECOMMENDED ACTION:**

In approving this action, the Board is authorizing the Chairman of the Board of Supervisors to sign an Agreement with the Charles R. Drew University of Medicine and Science (Drew University) for the provision of clinical and academic services at certain Department of Health Services (DHS or Department) facilities for the period beginning September 1, 2004 through

June 30, 2006, for a maximum County obligation of \$12,767,955 for the contract period of September 1, 2004 through June 30, 2005 and \$15,409,672 for the contract period of July 1, 2005 through June 30, 2006.

On January 13, 2004, your Board approved a recommendation from the Department to terminate its Affiliation Agreement with Drew University as of September 1, 2004 and to immediately enter into negotiations with Drew University to develop a replacement Agreement. This action complies with that Board instruction. This replacement Agreement reflects the recommendations of the Satcher Task Force and its vision to create a culture of accountability. In addition, this Agreement has been designed to effect structural improvements in the educational and clinical programs. The Department is confident that this new Agreement will solidify and facilitate a collaborative relationship between Drew University and the County.

#### FISCAL IMPACT/FINANCING:

The maximum County obligation under the Agreement is \$12,767,955 for the contract period of September 1, 2004 through June 30, 2005 and \$15,409,672 for the contract period of July 1, 2005 through June 30, 2006. Contract costs, detailed in Table A.8 of Addendum A to the Agreement, are for purchased clinical and academic services, University administration and academic administrative services, the Faculty Teaching Incentive Fund, and for supplemental purchased clinical services as requested by the Department. If the costs of the supplemental purchased clinical services and the Faculty Teaching Incentive Fund, both new provisions in the Agreement, are excluded, the 12 month costs of the new agreement are \$418,270 less than the 2003-04 costs of the current Agreement.

These costs are 100% net County cost. Funding is available in the Department's Fiscal Year 2004-05 budget and will be requested by the Department in its Fiscal Year 2005-06 budget submission.

#### FACTS AND PROVISIONS/LEGAL REQUIREMENTS:

##### *Payment for Purchased Services and Adjustments or Sanctions*

The Department has historically purchased clinical and academic services from Drew University. Payments for these services have been made on a quarterly basis, in advance of services received. This payment schedule is being revised in the new Agreement. The first ten months of this Agreement constitute a transition period during which the County will pay monthly in advance and will retrospectively reconcile amounts paid with actual services provided. Under new provisions in the Agreement, the County is entitled to receive a prorated refund if clinical or academic services are not provided. During the remaining twelve months of this Agreement, the County will make monthly payments only in arrears for services rendered.

##### *Purchased Clinical Services*

Under the Agreement, Drew University shall continue to provide clinical services in five

specified specialty areas: anesthesiology, neurosciences, ophthalmology, urgent care, and vascular surgery. As in the past, the individuals providing clinical services on behalf of Drew University shall be employed only by Drew University and not by the County. In the event that the County's requirements exceed or fall short of these numbers, Drew University and the County may negotiate and properly execute an amendment establishing a different volume of services for future contract years. The maximum payment for the ongoing purchase of currently provided clinical services will be \$3,021,810 for the contract period September 1, 2004 through June 30, 2005 and \$3,626,172 for the contract period July 1, 2005 through June 30, 2006.

Regardless of the hours documented, Drew University shall not be entitled to additional reimbursement unless and until a written amendment to the Agreement is negotiated and properly executed. Funds allocated for clinical services within a specific department may not be expended by Drew University for clinical services in another department without County's prior written approval.

Under new provisions in the Agreement, a time card signed and dated by each individual providing clinical services will be submitted to the appropriate Clinical Chief who shall verify the hours worked. The County will perform periodic and random audits of time cards to determine accuracy.

#### *Purchased Academic Services*

Academic services will continue to be performed by physician faculty who may also be employed by the County. The maximum payment for academic services will be \$5,235,417 for the contract period September 1, 2004 through June 30, 2005 and \$6,282,500 for the contract period July 1, 2005 through June 30, 2006.

This new Agreement now puts into place clear requirements and principles of accountability for the medical school with regard to purchased academic services and county salary supported clinical services. Drew University's faculty members who are dually employed by the County and Drew University shall report time worked toward their County employment and toward the academic services on the newly required single time card, the format of which shall be provided by the County. This is similar to the manner in which clinical and academic work are monitored under the UCLA medical school Affiliation Agreements at Harbor-UCLA and Olive View-UCLA Medical Centers. It shall be the responsibility of each dually-employed Drew University faculty member to distinguish, on the time card, between hours worked toward the County-required hours and hours worked toward the provision of academic services.

#### *Financial Considerations*

The Department has determined that, at this time, it is appropriate to maintain a level of funding consistent with the current Agreement for a number of reasons:

- The Department believes that Drew University can and will survive and can flourish. Maintenance of academic support will be necessary as the two organizations work to recruit key clinical leaders to the institutions. At least 10 leaders have left their positions over the three years leading up to or following the accreditation withdrawal actions. If the hospital and the University are to succeed, it is important that sufficient investment be made in identifying and hiring new leadership.
- Academic activities will continue to be required in the two programs that have lost accreditation (Radiology and Surgery) to teach residents in the remaining programs and to teach medical students. Qualified faculty are needed to meet accreditation requirements.
- Without a surgery training program, it will be difficult to sustain Martin Luther King, Jr./Charles R. Drew Medical Center (KDMC) as a trauma center. Therefore, in the case of surgery, the Department believes that it is important to maintain an academic environment in order to rebuild the capacity to reapply for a training program once Drew University regains its full institutional accreditation. Another advantage to maintaining and developing the surgery faculty is to effectively teach surgery residents who rotate to KDMC from other programs.

### *Alternatives*

One of the issues raised during this process was what options existed for the management and structure of teaching programs for KDMC. The Department researched with the Accreditation Council for Graduate Medical Education (ACGME) the requirements for DHS to sponsor and run the residency programs independently from Drew University. While that option remains a feasible alternative, follow-up conversations with ACGME have indicated that it would take several months to achieve. Thus, to move in that direction, we would require an extension of the current contract to allow sufficient time to effect the transition.

The Department does not recommend full sponsorship and independence at the present time. Drew University has made tangible changes and the community has stepped up to support the University: the Drew Board of Trustees has reorganized and reduced its membership from 23 to 8; Interim President Harry Douglas has asserted clear leadership and direction; the California Endowment is funding a Steering Committee on the Future of King Drew Medical Center comprised of experienced healthcare leaders; and the University of California system has provided oversight of the GME process, mentoring of program directors and the review of program reports.

### *Supplemental Pool*

The Department believes that cost savings and improvements in quality can be achieved through the purchasing of additional clinical services from Drew University. Currently, the Department buys some clinical services through the existing Drew contract and other additional clinical services through contracts with physician registry services or directly with individual physicians. The Department would like to incrementally purchase some of the registry and individual physician clinical services through Drew University. The Department



believes that such an arrangement can result in a reduced cost to the County by replacing many small contracts with a single blanket contract. This arrangement would provide an incentive to Drew to attract additional clinical providers who, in addition to their clinical duties, could teach and supervise residents. A portion of the administrative costs that are currently paid to registries would be earned by Drew University for its role in recruiting and overseeing the contract and would serve to strengthen the overall financial position of the University.

This proposed new arrangement will require the approval of the Director and will be based on Drew's ability to demonstrate 1) the quality of the providers under the contract, and 2) a reduced overall cost for the County to purchase these services. The dollars in this supplemental pool will only be spent under those conditions. The maximum amount the Department has budgeted to purchase these additional clinical services from Drew University is \$1,666,667 for the contract period September 1, 2004 through June 30, 2005 and up to \$2,000,000 for Fiscal Year 2005-2006.

#### *Quality of Care*

Recent incidents have raised questions about the clinical quality of care delivered at KDMC, particularly as it relates to the provision of clinical services and resident supervision under the Agreement. While there are important relationships between residency programs and quality of care (supervision of residents being primary), the major focus and responsibility for quality rests with the leadership and administration of the individual Medical Center. I am also providing a memo to your Board entitled "Quality Improvement Strategic Plan for LA County Department of Health Services" which outlines specific actions to be taken to improve clinical quality Department-wide in addition to our already extensive quality improvement mechanisms and accreditation reviews. I am confident that the proposed Agreement with Drew University contains sufficient provisions to enhance the quality and consistency of care provided in DHS facilities.

#### *Term and Termination of Contract*

The contract term is changed from five years to 22 months in the new Agreement. It is too soon to know whether the actions initiated by the Drew University Board of Trustees will be successful in strengthening the organization. This reduced contract term, without provision for extension, guarantees a reassessment of progress on the part of the University in a timely fashion.

The termination provisions of the Agreement have also been revised. As with the current Agreement, the Agreement may still be terminated immediately upon loss of essential accreditation or license. The Agreement may now be terminated for breach upon only 60 days notice to either party and County may now terminate the Agreement for convenience upon 30 days notice to University.

#### *Auditor-Controller's Report*

Based on multiple concerns raised to me about the existing Agreement and anticipating its renegotiation, I asked the Auditor-Controller to evaluate compliance by both DHS and the

University with the terms of the Affiliation Agreement. The Auditor-Controller found significant weaknesses in the execution of the contract and has made twelve recommendations for improvement. The Department concurs with these recommendations and has addressed each of the twelve recommendations in the new Agreement. (See Attachment).

#### *Governing Body Oversight*

This Agreement also establishes a process for oversight of both KDMC and Drew University's compliance with the terms of the Agreement. Through the quarterly Governing Body site visits to King/Drew, the Director, as the Governing Body Representative, will conduct reviews of academic and accreditation status and clinical reports. In addition, the Department has established the Office of the Senior Medical Director for Clinical Affairs and Affiliations, which will assume the primary corporate responsibility for providing oversight and monitoring of the University's and Department's performance under this Agreement.

#### *Joint Planning and Operations Committees*

This Agreement continues to require the local and system Joint Planning and Operations Committees (JPOCs) to meet regularly and to publish minutes. The JPOC will continue to consider such issues as strategic planning related to medical training programs, patient services issues, quality of training programs, and the development of new and/or consolidation of existing training programs. In addition, the Chair of the JPOC must attend the Governing Body meetings and report on the status of all programs and issues of concern that might threaten program accreditation. This provision codifies a change in practice that has already been instituted at all of the Department's affiliated medical centers.

#### *Performance and Productivity*

This Agreement continues to require Drew University to work with the Department to monitor and evaluate the University's performance and productivity. The goal is to achieve and maintain a high level of clinical and academic excellence among faculty and residents. The parties agree to continue to mutually define and refine performance measures and the process for ensuring accountability.

*Educational performance indicators:* Resident academic performance will be monitored in accordance with guidelines and standards set by the ACGME, the Dental Accreditation Council and specialty boards. Faculty performance will be monitored in accordance with the guidelines set by the applicable accrediting bodies and terms and conditions of this Agreement. The specific educational performance indicators are delineated in more detail than previously in Addendum B of the Agreement.

*Patient care performance improvements:* Drew University and DHS will continue to jointly monitor performance and productivity measures for patient care and agree on actions for performance improvement. The DHS Performance Management Development Team which meets monthly to identify performance measures in key clinical categories, reports its findings quarterly to the Director and the DHS Health Leadership Board. Drew University agrees to attend regularly and participate in the Performance Management Development Team meetings.

Performance measures for patient care are delineated in more detail than previously in Addendum B of the Agreement.

#### *Faculty Teaching Incentive Fund*

The Department and Drew University agreed that it is important to provide positive incentives to seek and reward excellence among physician faculty. Under new provisions in the Agreement, the parties have agreed to equally finance a \$50,000 Faculty Teaching Incentive Fund, with each party contributing \$25,000. The goal is to reward exceptional teaching. The Facility JPOC will determine faculty awardees and the amount of the awards.

#### *Number and Size of Residency Programs*

The total number of residents this year has been decreased by fifty-four as the result of the closure of the radiology and surgery training programs. AGME Advisory Task Force headed by Dr. Michael Drake, Vice President for Health Affairs for the University of California System, was formed in early 2004 and has provided guidance to the GME program at KDMC and has been instrumental in enhancing the function of the University's Graduate Medical Education Committee and improving the ability of program directors to meet accreditation requirements. The Task Force is also leading a comprehensive review of the size and number of the programs that will inform the University and the Department. They anticipate that recommendations will be available in time to affect the match for the next academic year (2005-2006). The review will also address the complex issues of shared programs between DHS facilities.

#### *Newly Mandated Legal Provisions*

This Agreement includes all the newly mandated provisions such as Safely Surrendered Baby Law, Living Wage, Jury Service, HIPAA, Debarment, and Child Support Compliance.

#### CONTRACTING PROCESS:

Because this Agreement is a renegotiation of an existing Agreement between the County and Drew University and the services are specific to the University, the Department did not advertise this Agreement on the Office of Small Business' Countywide Web Site. Additionally, given the nature and scope of the services provided by the University under the Agreement, as well as the historic relationship between the County and the University, the Department determined it was not feasible to competitively bid this contract.

It has been determined that clinical services fall under Proposition A guidelines and as such are subject to the provisions of the County's Living Wage Program. The Auditor-Controller's Audit Division has reviewed and approved the Department's determination that the clinical services under this Agreement are cost effective. County Counsel has advised that Proposition A does not apply to contracts for academic services. Therefore, the portions of the Agreement relating to academic services are not governed by Proposition A.

The Honorable Board of Supervisors  
July 29, 2004  
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When approved, the Department requires the original and three signed copies of the Board's action.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Thomas L. Garthwaite". The signature is fluid and cursive, with the first name "Thomas" being the most prominent.

Thomas L. Garthwaite, M.D.  
Director and Chief Medical Officer

TLG:ss

Attachments

c: Chief Administrative Officer  
County Counsel  
Executive Officer, Board of Supervisors



## DHS Response to the A-C Recommendations on the Drew Affiliation Agreement

#	Recommendation	References in Drew Agreement
1	DHS modify the agreements to require Drew and other medical schools to submit detailed annual budgets for the use of agreement funds, including the number of physician hours worked by physicians and other staff providing services under the agreements.	We concur. In Addendum A of the new agreement, we have negotiated a specific budget for the use of Agreement funds and we will be monitoring the expenditures of these funds on a monthly basis.
2	DHS modify the agreements to require Drew to maintain individual timecards for physicians and other staff or some agreed upon equivalent time records, regularly monitor services provided by Drew, and only compensate Drew under the agreement for services documented in this manner.	We concur. In Addendum A, Section A.2 of the new Agreement, we have included language requiring that a time card and dated by each individual providing clinical Purchased Services will be submitted to the appropriate Clinical Chief no later than 7 days after the end of the month in which services were performed. The Clinical Chief shall verify the hours worked, co-sign the time cards, and forward copies of the time cards to the Medical Director and to the University Representative. County will perform periodic and random audits of time cards to determine accuracy. In addition, Faculty members who are dually employed by County and University shall report time worked toward their County employment and toward the academic Purchased Services on a single time card.
3	DHS evaluate the difference in compensation paid to department chairs between KDMC and H/UCLA.	We concur. The compensation study will be completed by July, 2005. In Section 2.1.2.1 of the new Agreement, we have specifically stated that the County and University shall exchange salary information quarterly regarding all physicians receiving dual compensation, including the compensation paid to the chairs. This information will enable the Department to evaluate differences in compensation to the chairs in our various facilities.
4	DHS management ensure that KDMC exchanges physician salary/stipend information with Drew at least annually, and that the salary information distinguishes between agreement and non-agreement related earnings.	We concur. In Section 2.1.2.1 of the new Agreement, we have specifically stated that the County and University shall exchange salary information quarterly regarding all physicians receiving dual compensation.
5	DHS management require Drew to monitor to ensure that physicians' total compensation does not exceed the agreement maximum.	We concur. In Section 2.1.2.1 of the new Agreement, we have specifically stated that the County and University shall exchange salary information quarterly regarding all physicians receiving dual compensation. In addition, KDMC will monitor the salary information to ensure that the physicians' total compensation does not exceed the Agreement maximum.
6	KDMC management monitor the number of residents enrolled in each training program, and ensure that the payments to Drew are appropriate based on the number of residents.	We concur. KDMC management will submit recommendations to the DHS Director within six months. It should be noted that under the old Agreement, the County was required to pay for academic services based on the size of the teaching programs. Under the new Agreement, the County will purchase these services based on Academic Service Units for each required medical specialty (See Addendum A, Section A.4). It is clearly stated that, if the numbers of required Academic Service Units are not provided, the County shall be entitled to receive a prorated refund.

S#	Recommendation	References in Drew Agreement
7	KDMC management determine the number of residents enrolled in the training programs in the past and evaluate the prior payments to Drew, and seek reimbursement if appropriate.	We concur. Under the new Agreement, Drew University has agreed to reimburse the County those determined amounts already paid to University for academic services in Radiology and Surgery. For the other training programs, KDMC management will submit recommendations to the DHS Director on any potential additional reimbursement within six months.
8	DHS management evaluate the amounts paid to Drew and UCLA for the Nephrology and Cardiology programs.	We concur. An evaluation will be accomplished within three months and appropriate action taken. It should be noted that under the old Agreement, the County was required to pay for academic services based on the size of the teaching programs. Under the new Agreement, the County will purchase these services based on Academic Service Units for each required medical specialty (See Addendum A, Section A.4). It is clearly stated that, if the numbers of required Academic Service Units are not provided, the County shall be entitled to receive a prorated refund.
9	KDMC require Drew to keep records of the actual clinical service staffing hours provided by service area.	We concur. In Addendum B, Section B.3.4 of the new Agreement, we specifically require that Drew University shall maintain sufficient records on physician staffing levels and compensation to evaluate whether the University is being compensated in accordance with the terms of the new Agreement. Also, we have included in Addendum A, Section A.2. language requiring physicians to complete, sign, and submit a timecard documenting services.
10	KDMC monitor for compliance with the agreement clinical service staffing requirements.	We concur. In Addendum B, Section B.3.4 of the new Agreement, we specifically require that Drew University provide information and reports to be utilized by the County for monitoring actual clinical and academic service staffing and determining the University's compliance with the new Agreement.
11	KDMC and DHS ensure that any significant variances in clinical service staffing are agreed upon by both parties in writing as formal agreement amendments.	We concur. In the new Agreement, clinical Purchased Services shall be measured on the basis of hours of clinical services. In Addendum A, Section A.3 of the new Agreement, we specifically state that in the event that County's requirements exceed or fall short of the required number of hours of clinical services, the Parties may negotiate and properly execute an amendment establishing a different volume of services for future contract years.
12	DHS and Drew establish and implement a formal timetable to develop and implement performance measures to evaluate Drew's performance under the agreement and monitor for compliance.	We concur. In Addendum B of the new Agreement, we have included specific language on: a) academic performance indicators (Section B.2.2); b) patient care performance improvement measures (Section B.3.1).